



House of Representatives

General Assembly

File No. 182

January Session, 2019

Substitute House Bill No. 6356

House of Representatives, March 28, 2019

The Committee on Housing reported through REP. MCGEE of the 5th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING PAYMENTS IN LIEU OF TAXES FOR STATE HOUSING AUTHORITY PROPERTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 8-216 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2019*):

4 (b) The state, acting [by and in the discretion of] through the
5 Commissioner of Housing, [may] shall enter into a contract with [a]
6 each municipality and the housing authority of the municipality or
7 with the Connecticut Housing Finance Authority or any subsidiary
8 created by the authority pursuant to section 8-242a or 8-244 or with a
9 successor owner to make payments in lieu of taxes to the municipality
10 on land and improvements owned or leased by the housing authority
11 or the Connecticut Housing Finance Authority or successor owner
12 under the provisions of part II of chapter 128. On and after July 1, 1997,
13 the time period of the contract may include the remaining years of
14 operation of the project. Such payments shall be made annually in an

15 amount equal to the taxes that would be paid on such property were
16 the property not exempt from taxation, and shall be calculated by
17 multiplying the assessed value of such property, which shall be
18 determined by the tax assessor of such municipality in the manner
19 used by such assessor for assessing the value of other real property, by
20 the applicable tax rate of the municipality. Such contract shall provide
21 that, in consideration of such grant-in-aid, the municipality shall waive
22 during the period of such contract any payments by the housing
23 authority or the Connecticut Housing Finance Authority or successor
24 owner to the municipality under the provisions of section 8-71, as
25 amended by this act, and shall further provide that the amount of the
26 payments so waived shall be used by the housing authority or the
27 Connecticut Housing Finance Authority or successor owner for a
28 program of social and supplementary services to the occupants or shall
29 be applied to the operating costs or reserves of the property, or shall be
30 used to maintain or improve the physical quality of the property. As
31 used in this subsection, a "successor owner" means an entity that owns
32 a housing project developed pursuant to part II of chapter 128 after the
33 revitalization of such project pursuant to a plan approved by the
34 commissioner.

35 Sec. 2. Subsection (d) of section 8-216 of the general statutes is
36 repealed and the following is substituted in lieu thereof (*Effective*
37 *October 1, 2019*):

38 (d) The state, acting [by and in the discretion of] through the
39 Commissioner of Housing, [may] shall enter into a contract with [a]
40 each municipality to make payments in lieu of taxes to the
41 municipality on land and improvements owned or leased by said
42 commissioner pursuant to chapter 129. Such payments shall be made
43 annually in an amount equal to the taxes that would be paid on such
44 property were the property not exempt from taxation, and shall be
45 calculated by multiplying the assessed value of such property, which
46 shall be determined by the tax assessor of such municipality in the
47 manner used by such assessor for assessing the value of other real
48 property, by the applicable tax rate of the municipality. Such contract

49 shall provide that, in consideration of such grant-in-aid the
 50 municipality shall waive any payments by the state to the municipality
 51 under the provisions of a cooperation agreement between the
 52 municipality and said commissioner.

53 Sec. 3. Section 8-71 of the general statutes is repealed and the
 54 following is substituted in lieu thereof (*Effective from passage*):

55 (a) In lieu of real property taxes, special benefit assessments and
 56 sewerage system use charges otherwise payable to such municipality,
 57 except in such municipalities as, by special act or charter, on May 20,
 58 1957, had a sewer use charge, an authority shall pay each year to the
 59 municipality in which any of its moderate rental housing projects are
 60 located a sum to be determined by the municipality, with the approval
 61 of the Commissioner of Housing, not in excess of twelve and one-half
 62 per cent of the shelter rent per annum for each occupied dwelling unit
 63 in any such housing project; except that the amount of such payment
 64 shall not be so limited in any case where funds are made available for
 65 such payment by an agency or department of the United States
 66 government, but no payment shall exceed the amount of taxes which
 67 would be paid on the property were the property not exempt from
 68 taxation.

69 (b) [For the period commencing on June 2, 2016, and ending June 30,
 70 2019, each] Each municipality that received a grant-in-aid pursuant to
 71 section 8-216, as amended by this act, in the fiscal year ending June 30,
 72 2015, shall waive any payment that becomes payable [during such
 73 period] pursuant to subsection (a) of this section during any fiscal year
 74 in which no grant-in-aid for such amount is made, pursuant to section
 75 8-216, as amended by this act, except that no waiver shall be required
 76 in any case where funds are made available for such payment by an
 77 agency or department of the United States government.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2019	8-216(b)
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Sec. 2	<i>October 1, 2019</i>	8-216(d)
Sec. 3	<i>from passage</i>	8-71

HSG *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Department of Housing	GF - Cost	Approx.8.0 to 10.0 million	Approx. 8.0 to 10.0 million

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 20 \$	FY 21 \$
Various Municipalities	Net Revenue Gain	See Below	See Below

Explanation

The bill results in a cost to the Department of Housing (DOH), and a corresponding revenue gain to various municipalities, of approximately \$8.0 to \$10.0 million annually. It requires, rather than allows, DOH to make payments in lieu of taxes (PILOT) to certain municipalities for the tax loss resulting from the presence of certain properties that are eligible for the Moderate Rental PILOT program.¹

The revenue gain to municipalities resulting from the bill is potentially partially offset by the elimination of payments to municipalities directly from public housing authorities. It is

¹ PA 14-47, the revised FY 15 budget, included a FY 15 appropriation of \$1,873,400 for PILOT payments under the Moderate Rental PILOT program. This is the last year the state made such payments. The bill expands the number of properties that will receive payments under the the Moderate Rental PILOT program beyond the properties included in the FY 15 appropriation.

anticipated that such municipalities would experience a net revenue gain. The bill requires the state to fully reimburse municipalities for the tax loss. Current law allows public housing authorities to make payments that are typically less than the full tax liability the authorities would incur if they were not part of the moderate rental housing program.

Assumptions

The Department of Housing reported a list of properties that would be subject to the bill's provisions. Assessment data for these properties was obtained from the Office of Policy and Management and from municipal assessors. The above identified cost to the state is based on that assessment data and on FY 19 municipal mill rates.

CGS 8-216a specifies a particular assessment method for the purpose of determining PILOT payments for new contracts under the Moderate Rental PILOT program. It is not clear how this assessment method requirement impacts the assessment figures used in this analysis. The statute requires the assessment of these properties to be derived using a capitalized net rental income approach. The range of estimated costs reflects the different assessment methods used in the data that was obtained.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to municipal grand lists and mill rates.

OLR Bill Analysis**sHB 6356*****AN ACT CONCERNING PAYMENTS IN LIEU OF TAXES FOR STATE HOUSING AUTHORITY PROPERTIES.*****SUMMARY**

This bill requires, rather than allows, the Department of Housing (DOH) to enter into a contract to reimburse each municipality under the Moderate Rental Payment in Lieu of Taxes (PILOT) Program. (It does not set a deadline by which DOH must enter into these contracts.) The bill also extends indefinitely a requirement that certain municipalities waive payments due from certain housing authorities if DOH does not make a payment on the authorities' behalf.

Lastly, the bill makes technical changes, including changes to an inoperative statute (§ 2).

EFFECTIVE DATE: October 1, 2019, except that the indefinite waiver provision is effective upon passage.

MODERATE RENTAL PILOT PROGRAM

The bill requires DOH to enter into a contract to reimburse each municipality under the Moderate Rental PILOT Program. Currently, DOH has discretion about whether to enter into these contracts.

By law, under the Moderate Rental PILOT Program, DOH enters into a contract with a municipality and the municipal housing authority or with the Connecticut Housing Finance Authority (CHFA) (or a subsidiary or successor owner) to make payments in lieu of taxes to the municipality for moderate rental housing owned or leased by the housing authority, CHFA, subsidiary, or successor owner. DOH's payment must equal the property taxes that would have been due, had the property not been tax exempt.

In exchange, for the duration of the contract, the municipality must waive the payments in lieu of property taxes, special benefit assessments, and sewer system use charges due from the housing authority, CHFA, subsidiary, or successor owner pursuant to CGS § 8-71 (see § 3).

WAIVERS FOR CERTAIN HOUSING AUTHORITIES

Existing law requires housing authorities for moderate rental housing projects to make payments to the municipality in which the project is located instead of paying property taxes, special benefit assessments, and sewer system use charges. Currently, DOH may make these payments on a housing authority's behalf under the Moderate Rental PILOT Program (see § 1).

Under current law, municipalities to which DOH made a Moderate Rental PILOT Program payment on a housing authority's behalf in FY 15 must waive the above payments in FYs 16 to 19. For these same municipalities, the bill instead requires the waiver in any year when a Moderate Rental PILOT Program payment is not made on an authority's behalf. (Presumably, this provision applies if DOH does not make the PILOT payment required by the bill (see § 1).)

Both existing law and the bill specify that no waiver is required if federal funds are made available for the payment.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute

Yea 14 Nay 0 (03/07/2019)